

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** May 9, 2011  
**POSITION:** Neutral  
**SPONSOR:** Author

**BILL NUMBER:** SB 294  
**AUTHOR:** C. Price  
**RELATED BILLS:** AB 17 of 2011

### **BILL SUMMARY:** Public Employees' Retirement: Investment Managers

This bill would require the California Public Employees' Retirement System (CalPERS) and the State Teachers' Retirement System (CalSTRS) to provide five-year strategic plans regarding participation of emerging investment managers across all asset classes.

### **FISCAL SUMMARY**

CalSTRS estimates that any costs resulting from this bill would be minor and absorbable with existing expenditure authority. CalPERS estimates that the reporting requirements in this bill would result in annual costs of \$100,000 beginning in 2012-13. It is unclear why CalPERS identifies costs of \$100,000 when CalSTRS indicates costs are minor and absorbable. We believe that this reporting requirement can be incorporated in the various existing reports CalPERS produces.

### **COMMENTS**

The Department of Finance is neutral on this bill. According to the author, this bill is intended to encourage expanded opportunities for newer and smaller investment companies in the management of assets held by the state's public pension funds.

This bill would:

- Require each board to define emerging investment manager for purposes of this bill.
- Require CalPERS and CalSTRS boards to provide five year strategic plans regarding participation of emerging investment managers across all asset classes by August 1, 2012.
- Require each board to submit a report to the Legislature on the progress of the strategic plans commencing March 2014 and then each March thereafter.
- Sunset on January 1, 2018.

CalPERS is in support of this bill because it has the potential to improve coordination of efforts and strategies as they relate to emerging investment managers. CalSTRS is in support of this bill because it is in line with their current investment policy that seeks to incorporate diversity in the management of its investments.

This bill is similar to AB 17 of 2011, to which we are currently opposed. AB 17 requires a report that includes the percentage breakdown by ethnicity and gender of all investment officers in contracted portfolio management firms. The reporting requirements in this bill appear to require fewer resources to implement than the requirements in AB 17.

Analyst/Principal (0932) K. Martone	Date	Program Budget Manager Diana Ducay	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

<b>BILL ANALYSIS</b>	Form DF-43 (Rev 03/95 Buff)
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**BILL NUMBER**

SB 294

	SO	(Fiscal Impact by Fiscal Year)							
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	Code
1900/PERS	SO	No	-----	See Fiscal Summary				-----	0830
1920/STRS	SO	No	-----	No/Minor Fiscal Impact				-----	0835
<u>Fund Code</u>	<u>Title</u>								
0830	Public Employees' Retirement Fund								
0835	Teachers' Retirement Fund								